

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meeting

The Administration and Regulation Appropriations Subcommittee met February 11 and 12.

Revenue & Finance



On February 11, the Subcommittee heard presentations and discussed the following:

- Don Cooper presented the Department of Revenue and Finance's requests and the Governor's recommendations for their FY 2004 budget and introduced the new Department Director, Mike Ralston. The Governor is recommending a decrease of \$174,000 and 1.0 FTE position compared to estimated FY 2003. The major changes include:
 - An increase of \$525,000 for ten additional revenue field auditors and four additional revenue field collections agents.
 - An increase of \$277,000 to fund the FY 2003 salary adjustment from the General Fund.
 - An increase of \$742,000 for additional resources for tax data and revenue estimating enhancements.
 - A decrease of \$1.7 million to transfer the accounting functions of the Department of Revenue and Finance to the new Department of Administrative Services.
- Holmes Foster, a Revenue Estimating Conference Member, and Mike Lipsman, Department of Revenue and Finance, presented information on the need for, and the benefits of improving revenue estimating, and how this can increase revenue to the State.
- Mike Flaherty and Stu Vos, Department of Revenue and Finance, presented information on the amount of money and methods used to collect money owed to the State.

IN THIS ISSUE:

Subcommittee Meetings:

Administration/Regulation, pg. 1
Agriculture/Natural Resources, pg. 2
Education, pg. 3
Health/Human Services, pg. 4
Justice System, pg. 4

Subcommittee Meetings (continued):

Transportation/Infrastructure/Capitals, pg. 5
Government Oversight Committee, pg. 6
HF 8, Midwest Interstate Passenger Compact, pg. 7
Council on Human Services Meeting, pg. 8
Prison Population Reaches Record High, pg. 9

Secretary of State

On February 12, the Subcommittee heard presentations and discussed the following:

- Chet Culver, Iowa Secretary of State, presented his FY 2004 budget request and discussed the steps to comply with the federal Help America Vote Act.
- Charlie Smithson, Executive Director for the Ethics and Campaign Disclosure Board, presented his FY 2004 budget request.

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the Legislative Fiscal Bureau (LFB) web site at:

http://staffweb.legis.state.ia.us/lfb/subcom/admin_reg/admin_reg.htm.

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**AGRICULTURE AND NATURAL RESOURCES
APPROPRIATIONS SUBCOMMITTEE MEETING**

Subcommittee Meeting

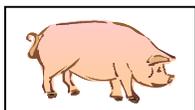
The Agriculture and Natural Resources Appropriations Subcommittee met February 11 and 12. The following was discussed:

Secretary of Agriculture

Patty Judge, Secretary of Agriculture, discussed the Department's budget request versus the Governor's budget recommendations for FY 2004. The Department requested \$606,000 to fund the FY 2003 salary adjustment and other budget reductions. The Governor recommended \$248,000 to fund the salary adjustment for FY 2004.

State Veterinarian

Dr. John Schiltz, State Veterinarian, discussed the Pseudorabies Program that included:



- The Department has not received any federal funding for the Program, as the federal budget has not been approved. Last year the Department received \$1.3 million for pseudorabies eradication. The Department is using State funds to pay the salaries of the federally funded employees.
- Although there are no cases of pseudorabies at this time, the Department needs funds to continually test finished hogs to prevent any further outbreaks of the disease.
- The Department will apply for a Stage IV status with the United States Department of Agriculture (USDA) in April. There are five stages of the federal program, with Stage V designating that a state is free of pseudorabies. Stage IV requires a state to maintain surveillance on herds to ensure there are no outbreaks.

Dept. of Natural Resources

Jeff Vonk, Director, Department of Natural Resources, discussed the FY 2004 budget. The Department is requesting a total of \$15.5 million, an increase of \$315,000 compared to estimated FY 2003. The increase is to fund the salary adjustment from the General Fund for FY 2004.

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at:
http://staffweb.legis.state.ia.us/lfb/subcom/ag_dnr/ag_dnr.htm

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EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meeting

The Education Appropriations Subcommittee met twice during the week of February 10. Presentations included:

Governor's Budget

LFB staff reviewed the Governor's budget recommendation for FY 2004. The Governor is recommending a total increase of \$71.9 million compared to FY 2003 as follows:

- \$25.2 million to fund the FY 2003 salary adjustment from the General Fund for FY 2004 for all budget units within the Subcommittee. Of the total, \$24.9 million of the salary funding would go to the Board of Regents.
- \$3.0 million for the College Student Aid Commission to increase the Tuition Grant Program by \$300,000 and restore the Work Study Program (\$2.7 million).
- \$30.1 million for the Department of Education as follows:
 - \$1.0 million for community college technology.
 - \$28.6 million for the Student Achievement/Teacher Quality Initiative.
 - \$0.4 million to create a Virtual Academy.
 - \$0.1 million for the Vocational Education Secondary Program to restore a furlough cut.
- \$13.6 million for the Board of Regents as follows:
 - \$13.3 million for Tuition Replacement. This item was funded from tobacco funds for FY 2003.
 - \$0.3 million for the Special Schools to provide a 2.0% increase in operations.

**Board of Regents**

Each of the university presidents presented their budget recommendations and reviewed strategic plan initiatives. Attendees included:

- Owen Newlin, President, Board of Regents
- Greg Nichols, Executive Director, Board of Regents
- David Skorton, President-elect of the University of Iowa
- Gregory Geoffroy, President of Iowa State University
- Robert Koob, President of the University of Northern Iowa

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at:
http://staffweb.legis.state.ia.us/lfb/subcom/ed_sub/educat.htm.

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**HEALTH AND HUMAN SERVICES APPROPRIATIONS
SUBCOMMITTEE MEETINGS**

Subcommittee Meeting



The Health and Human Services Appropriations Subcommittee met the week of February 10 and conducted the following business:

- On February 11, the Subcommittee had a follow-up discussion with representatives from the Department of Human Services (DHS) regarding the Department's programs and activities.
- On February 12, Senator Jack Hatch presented information on hunger in Iowa. In addition, Sue Hegland, Iowa State University, Department of Human Development and Family Studies, provided a presentation on child care entitled, "Midwest Child Care Research Consortium: Child Care in the Heartland."

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LFB web site at:
http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm

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**JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE
MEETINGS**

Subcommittee Meeting

The Justice System Appropriations Subcommittee met the week of February 11 and had the following presentations:

Public Defender

State Public Defender Thomas G. Becker provided an overview of the Office's functions and budget, which includes appropriations for the Office and indigent defense.

Dept. of Corrections

Department of Corrections (DOC) staff presented information on the following topics:

- Growth of the inmate population
- Community-Based Corrections (CBC) overview, including the administrative structure
- Medical costs in the prison system and cost containment efforts
- Mental health issues
- Education programs in the prison system
- Alternative sanctions for drug offenders

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at:
<http://staffweb.legis.state.ia.us/lfb/subcom/justice/justice.htm>.

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TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS APPROPRIATIONS SUBCOMMITTEES

Subcommittee Meeting

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met February 11 and 12. The Subcommittee heard presentations from the Department of General Services, Iowa Public Television (IPTV), the Department of Economic Development, and the Loess Hills Hungry Canyons.

Governor's Budget

The Department of General Services presented the FY 2004 Governor's recommendations for infrastructure projects. The Governor is recommending a total of \$47.8 million for infrastructure for the Department of General Services. The recommendations are listed below:

	Gov. Rec. FY 2004
Routine Maintenance	\$ 1,664,000
Major Maintenance	16,703,000
Laboratory Facility	16,660,000
Records & Property Bldg. Renovation	5,000,000
Capitol Interior Renovation N.E. Quadrant	6,239,000
Wallace Building Renovation	236,000
Capitol Complex Security Upgrades	1,000,000
Wallace Building Evaluation	250,000
Total	<u>\$ 47,752,000</u>

Iowa Public TV

Iowa Public Television presented information on the conversion of their broadcast system from analog to digital technology. Iowa Public Television estimates that it will cost \$28.0 million in State funding to complete the digital conversion. The Governor is recommending \$10.0 million for the conversion in FY 2004 from the Restricted Capital Fund. Iowa Public Television is required by the Federal Communications Commission (FCC) to have the broadcasts converted to high-definition by May 1, 2003, and maintain dual broadcast modes until 85.0% of the homes in the broadcast area have the ability to receive digital signal. Stations are required to simulcast their broadcasts through FY 2006. The FCC may allow up to two six-month extensions for states that can show a financial hardship. States that do not meet the conversion deadlines may receive penalties from the FCC, unless it is determined that a good faith effort is made on behalf of the states to complete the conversion.

Economic Development

The Department of Economic Development presented the FY 2004 Governor's recommendations. The Governor is recommending a total of \$6.8 million for infrastructure-related programs for the Department. The recommendations are listed below:

	Gov. Rec. FY 2004
Accelerated Career Ed. (ACE) Prog.	\$ 5,500,000
Brownfield Redevelopment Fund	500,000
Local Housing Assistance Program	800,000
Total	<u>\$ 6,800,000</u>

Community Attraction

In addition to the above projects, the Department discussed the funding of the Community Attraction and Tourism (CAT) Program, which is funded through the Treasurer of the State's Office but administered by the Department of Economic Development. The CAT Program has received funding of \$12.5 million per year over a five-year period. Fiscal year 2004 is the last year of earmarked funds for the Program.

Loess Hills

Representatives of the Loess Hills Hungry Canyons Alliance presented information concerning stream stabilization projects in the Loess Hills region that protect public infrastructure investments as well as private farm land. The Hungry Canyons Alliance has received State and federal funds that are matched with 20.0% local dollars. However, in FY 2003, no State funds were appropriated. The Governor is recommending \$500,000 from the Environment First Fund in FY 2004.

More Information

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http://staffweb.legis.state.ia.us/lfb/subcom/trans_infra/trans_infra.htm.

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GOVERNMENT OVERSIGHT COMMITTEE MEETINGS

Government Oversight

The Government Oversight Committee met February 11 - 13 and had the following presentations and discussions:

PEC Public Comments



The February 11 meeting included presentations from the public on Senate Study Bill 1059 (Program Elimination Commission Recommendations). The presenters spoke against specific items within the Divisions of the Bill as follows:

- Greg Nichols spoke to Divisions I and III in behalf of the Board of Regents.
- Wayne Haddy spoke to Division II in behalf of the Area Education Agencies of Iowa.
- Tom Temple spoke to Division III in behalf of the Iowa Pharmacy Association.
- Lorelei Heisinger spoke to Division III in behalf of Pharmacia and the Iowa Psychiatric Society.
- Linda Murken spoke to Division VII in behalf of the Community-Based Corrections (CBC).
- Jordan Cohen, Dean, the Department of Pharmacy, spoke to Division III in behalf of the University of Iowa.

- Michael Savala spoke to Division VII in behalf of the Department of Corrections.
- Diane Crookham-Johnson spoke on the Bill as a member of the Program Elimination Commission.

PEC Legislation

The February 12 meeting continued discussion on Senate Study Bill 1059 (Program Elimination Commission Recommendations).

- Jim Carney, Iowa Bar Association, discussed the Court's study of possible options for redistricting, the Association's position related to the options presented to the Supreme Court, and the redistricting recommendations of the Program Elimination Commission (Division XX). The Bar Association determined that none of the options provided better coverage for areas of the State, which are currently understaffed with Judges.
- The Committee took action to move the Bill with recommendation. This failed on a roll call vote. A motion was next taken to move the Bill without recommendation from the Committee. This passed unanimously on a voice vote. The Committee recessed until February 13.

Comment Summary

On February 13, the Committee reconvened and completed the following:

- The Committee Secretary read the draft minutes from February 12. The minutes included the votes on Senate Study Bill 1059 and companion Bill, House Study Bill 139 (Program Elimination Commission Recommendations), and the additional comments and suggestions from Committee Members. The comments will be forwarded with the Bill to the State Government Committees of the Senate and the House.
- Members of the Committee offered edits to the minutes, which will be changed. The minutes will be approved at the next Oversight Committee meeting.

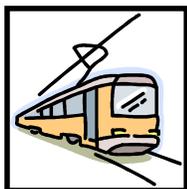
More Information

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<http://staffweb.legis.state.ia.us/lfb/committee/oversight/oversight.htm>.

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HOUSE STATE GOVERNMENT COMMITTEE PASSES HF 8 – MIDWEST INTERSTATE PASSENGER RAIL COMPACT

State Government Comm.



The House State Government Committee passed House File 8 (Midwest Interstate Passenger Rail Compact), which establishes Iowa's membership into the proposed Midwest Interstate Passenger Rail Compact. The Compact includes a consortium of the following 12 Midwestern states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

The purposes of this compact are:

- To promote development and implementation of improvements to intercity passenger rail service in the Midwest.
- To coordinate interaction among Midwestern state-elected officials and their designees on passenger rail issues.

- To promote development and implementation of long-range plans for high-speed rail passenger service in the Midwest and among other regions of the United States.
- To work with the public and private sectors at the federal, state, and local levels to ensure coordination among the various entities having an interest in passenger rail service and to promote Midwestern interests regarding passenger rail.
- To support efforts of transportation agencies involved in developing and implementing passenger rail service in the Midwest.

Commission Appointees

The compact would be presided over by a Commission comprised of four Governor appointees from each member state. The primary duties of the Commission would involve advocating for the funding and authorization to improve passenger rail service (including high-speed rail service) in the 12-state region and identify ways that states can form partnerships between the public and private sectors.

Legislation Summary

The legislation allows the Commission to establish an office, hire staff, contract for services, and assess dues to the compacting states. It is anticipated that the annual dues would be approximately \$25,000 per state. In Iowa, the funds would need to be appropriated by the General Assembly or funded through the Department of Transportation's budget with existing funds.

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COUNCIL ON HUMAN SERVICES MEETING

Human Services Council

The Council on Human Services met on February 12. The Department of Human Services (DHS) staff provided an overview of the Governor's budget recommendations for FY 2004.

Council Rules

The Council adopted the following rules amendments:

- A reduction in the reimbursement rate for transportation in the Medicaid program to 20 cents per mile. This change is estimated to result in annual savings of \$621,000 beginning in FY 2004.
- The removal of a specified adjustment factor in determining the State Maximum Allowable Cost (SMAC) Medicaid reimbursement rates to pharmacies. Instead, the rate would be determined by DHS, in consultation with the Iowa Pharmacy Association. In addition, the requirement that pharmacies report information on their costs was converted to a voluntary report. The SMAC Program is projected to save \$1.5 million in state funds annually. Estimated savings before the changes were \$2.2 million.
- A requirement that child support payments be made electronically. The Department estimates that this will result in savings of approximately \$420,000 annually.
- Implementation of the Electronic Benefits Transfer (EBT) Program for Food Stamps statewide. Conversion to an EBT system for Food Stamps is required by Federal law. The Department estimates a cost of \$1.6 million in State funds and \$1.6 million in federal funds in FY 2004 to implement the Program.
- Clarification of Medicaid coverage for orthopedic shoes.



- A reduction in nursing facility reimbursement for “crossover claims.” When a Medicaid recipient is also eligible for Medicare, the claim for nursing facility costs is first submitted to Medicare, which will pay all costs except deductibles and co-insurance (about 80.0% of the claim). Currently, Medicaid pays the remainder of the claim. Under the proposed change, Medicaid would not pay the remaining cost in most circumstances. The nursing facility would submit the remaining costs to Medicare as a bad debt expense. Under current rules, Medicare would reimburse the full cost, but it could take 18-24 months for the facility to receive reimbursement. Due to this time lag, the nursing facility industry opposed the rule change. The rule change is projected to result in savings of \$2.7 million in FY 2004.
- The Department worked with the facilities’ Medicare fiscal intermediaries to expedite the reimbursement of the bad debt expenses. Two of the largest fiscal intermediaries agreed to provide an interim payment of the expense at 90.0% of the total charge within one month. The remaining 10.0% would be paid when the claim was ultimately settled. Representatives from the nursing facilities now do not oppose the rule change.
- A reduction in nursing facility reimbursement for “bed-hold” payments. Currently, if a Medicaid resident of a nursing facility goes to the hospital, Medicaid pays 75.0% of the normal Medicaid rate to the nursing facility to hold the bed for up to 10 days. The Department’s original proposal was to change the reimbursement to 75.0% of the normal rate if the facility was 90.0% full, and 25.0% if the facility was less than 90.0% full. The nursing facilities industry opposed this change.
- The Department worked with the industry to develop a compromise and has now changed the proposal. Under the new proposal, all facilities would receive 42.0% of the normal Medicaid rate for the bed-hold payment. This results in the same level of savings as the previous proposal, approximately \$600,000 beginning in FY 2004. The industry does not oppose this proposal.

Council Rules

The Department presented two noticed rules to the Council, including:

- Technical updates to the Family Investment Program.
- An expansion of Food Stamps eligibility for certain aliens authorized by the 2002 federal Farm Bill.

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PRISON POPULATION REACHES RECORD HIGH

Prison Population

The prison population reached 8,498 inmates on February 14, 2003, which is 124.8% of designed capacity. The prison population has been gradually increasing during FY 2003.

New Facility



The new 200-bed Clinical Care Unit is being opened in three phases during FY 2003. The Department of Corrections (DOC) opened 40 beds of the new Clinical Care Unit at Fort Madison in August 2002. The next 80 beds are scheduled to open by March 28. Security staff for those beds have been hired, and are currently in training. The remaining 80 beds are scheduled to open by June 2003.

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This document can be found on the LFB web site:
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>